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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 08/11/06

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Prime Minister's schedule, August 10

NIHON KEIZAI (Page 2) (Full)
August 11, 2006

08:29

Departed for Mongolia from Haneda Airport on government plane.

Afternoon

Arrived at Genghis Khan International Airport and Genghis Khan Hotel. Attended welcoming ceremony. Offered flowers before Genghis Khan statue. Held summit meeting with Prime Minister Enkhbold. Attended the signing of economic aid package and joint press conference. Returned to Genghis Khan Hotel.

Evening

Enjoyed the second act of opera "Genghis Khan." Returned to the hotel. Attended welcoming dinner party hosted Prime Minister Enkhbold at Guesthouse. Returned to the hotel.

4) JAL, ANA taking security measures following suspension of flights to Heathrow Airport due to terrorist plot

SANKEI (Page 3) (Full)
August 11, 2006

British police on Aug. 10 foiled a terrorist plot to blow up aircraft in midair. In response, tighter security measures have been

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taken at Heathrow Airport. Narita Airport, Kansai Airport, and Japanese airlines were also preoccupied yesterday with making responses and gathering information, just a few days before a rush of people going on trips abroad during the O-Bon holidays. The Land, Infrastructure, and Transport Ministry has not raised the threat level at domestic airports, but it instructed airlines to take thorough security measures, including checking liquids to be carried on planes. The ministry also instructed that all liquids be banned from being carried on flights. Airlines have asked passengers to hand over even drinks and shampoo.

Japan Airlines (JAL) and All Nippon Airways (ANA) operated all London-bound flights on schedule yesterday. Long flights are allowed to land at Britain's Heathrow Airport, but the destination might be changed. The two airlines have collected information to learn if landing and taking-off are possible at the airport today and beyond.

In London, passengers are required to put all carry-on items in clear plastic bags. The two companies distributed bags to passengers at the airports in London. JAL will distribute bags to passengers at Japanese airports starting today.

5) Japan, Mongolia to map out 10-year comprehensive plan with cooperation in energy development in mind

NIHON KEIZAI (Page 2) (Full)
August 11, 2006

Prime Minister Junichiro Koizumi yesterday met with Mongolian Prime Minister Enkhbold at the Mongolian government office. The two leaders agreed to map out a 10-year comprehensive action program aimed at strengthening bilateral cooperation in the political, economic, educational, and cultural fields. They also agreed to establish an intelligence exchange framework with Mongolia's diplomatic ties with North Korea in mind.

The aim is to expand relations with a pro-Japan Mongolia, thereby encouraging Japanese companies to participate in the development of natural resources in that nation, as well as to counter China, which is increasing its political presence in Asia.

The action program will contain specific targets for each field. The two countries will speed up efforts to lay the groundwork in the run-up to President Enkhbayar's planned visit to Japan next February. Mongolia has rich underground mineral resources, such as coking coal, a material used for manufacturing steel, gold, and copper. The objective of the program is to develop these resources. Prime Minister Koizumi underscored, "Japanese companies are interested in underground resources. I would like to make efforts to consolidate investment conditions."

Koizumi is the third Japanese prime minister to visit that nation, following Prime Minister Toshiki Kaifu in 1991 and Prime Minister

Keizo Obuchi in 1999. Koizumi announced that Japan would provide approximately 300 million yen in grant aid for the construction of a museum in Karakorum, the capital of the former Mongol Empire. He handed over a museum model to the prime minister, creating a friendly atmosphere in the talks.

During the talks, Enkhbold expressed his support for Japan's bid for a permanent seat on the United Nations Security Council (UNSC). He

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also pledged to have stories from illustrated books for children "The Grateful Crane (Tsuru no Ongaeshi)" and "Guardian Deity in a Hat (Kasa Jizo)" carried in elementary and middle school textbooks in Mongolia.

Mongolia, sandwiched between China and Russia, attaches importance to relations with Japan, characterizing it as a third neighbor. China has formed the Shanghai Cooperation Organization with Russia and four Central Asian nations. Mongolia has taken part in the framework as an observer. Koizumi plans to visit Central Asia later in the month. He intends to check China's diplomatic offensive by visiting that region.

6) Poll: 65% can't trust China, 66% see Japan-China ties as bad

YOMIURI (Page 1) (Full)
August 11, 2006

A recent Yomiuri Shimbun poll, conducted July 8-9 across the nation on a face-to-face basis, has found that a total of 65% cannot trust China, the worst ever rating in the six surveys taken since 1988. Meanwhile, a total of 66% think that Japan-China relations are currently in bad shape, nearly twice as high as the percentage shown in a previous survey taken in 1996. The figure in the latest survey appears to reflect China's strong backlash to Prime Minister Koizumi paying homage at Yasukuni Shrine.

The proportion of those who cannot trust China is up 10 percentage points from a previous survey in 2002. Those who can trust China totaled 30%, down 8 points. In addition, respondents were also asked if they thought Japan-China relations are now in good shape, with only 27% saying "yes," down 29 points from the 1996 survey. When it comes to the public image of China, "bad" totaled 67%, with "good" at 27%.

Respondents were also asked to pick only one country they thought would be most influential in Asia. In response to this question, China topped all other countries at 57%, followed by the United States at 14%. Japan ranked third at 10%.

They were further asked to pick up to three countries as potential economic powers in Asia, and China ranked first at 70%. As seen from this figure, an increasing number of people think China would be an important country mainly in the economic area.

However, 36% think China's economic growth would have a negative impact on the economy of Japan, with 28% anticipating a positive impact.

Respondents were also asked to pick one or more countries as potential military threats. China ranked second at 44%, with North Korea topping all other countries at 78%.

7) Illegally exported freeze dryer possibly shipped to Kim Jong Il's bioweapon lab

SANKEI (Page 1) (Abridged)
August 11, 2006

Kim Yong Gun, 58, a North Korean resident in Japan and former president of the trading firm Meisho Yoko, was arrested yesterday by Yamaguchi and Shimane prefectural police on suspicion of illegally

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exporting a freeze dryer that could be used for the production of biological weapons.

Judging from confiscated documents, police authorities suspect that the freeze dryer has been installed at a research facility of Kim Jong Il as part of plans to build a bioweapon plant. The police are investigating North Korea's involvement.

According to investigators, Kim is alleged to have illegally shipped a freeze dryer to North Korea via Taiwan from Yokohama in September 2002 without permission from the Ministry of Economy, Trade, and Industry.

8) Russian spy demanded infrared sensor for missile guidance

SANKEI (Page 27) (Abridged)
August 11, 2006

An official of the Russian Trade Representative Office in Japan and a former researcher of Nikon Corp., a major precision equipment manufacturer headquartered in Tokyo's Chiyoda Ward, were referred to prosecutors yesterday on suspicion that the 47-year-old researcher had given a stolen communications device to the 35-year-old Russian trade official. In this case, the Russian demanded technologies that could be used to assist a missile in sensing its target via infrared, the Tokyo Metropolitan Police Department's Public Security Bureau discovered yesterday from its investigations. The Russian official also secured a variable optical attenuator (VOA) that adjusts the wavelength of light through optical fiber. This is also indispensable for advanced missile guidance systems, as well as for infrared sensing systems. The MPD suspects that the Russian attempted to get missile-related technologies.

The Russian trade official is Vladimir Petkevich, who belongs to the Chief Administration for Intelligence (GRU), an intelligence unit of Russia. Petkevich began approaching the former Nikon researcher around March last year. He wine and dined the former researcher more than 10 times at bars or elsewhere in Tokyo until around October last year and also handed him several tens of thousands of yen in cash. The MPD asked Petkevich last month to report in person for questioning. However, he left Japan for Russia on Aug. 2.

9) LDP presidential race: Nearly 70% support Abe; Nukaga, Yamasaki not to run

SANKEI (Page 1) (Excerpts)
August 11, 2006

Chief Cabinet Secretary Shinzo Abe, regarded as the strongest candidate in the Liberal Democratic Party (LDP) presidential election in September to choose a successor to Prime Minister Junichiro Koizumi, yesterday had secured nearly 70% of the LDP Diet member votes (403). The Tsushima faction, the second largest in the party, decided the same day not to field Defense Agency Director-General Fukushima Nukaga. Former LDP Vice President Taku Yamasaki is likely to give up on joining the race. Furthermore, the Ibuki faction announced its support for Abe, giving him a boost. There is a growing possibility of an Abe landslide (300 party member votes).

In a study session last evening of the Tsushima faction, Nukaga stated: "I have to come to my own conclusion after discussing the

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matter with faction head Yuji Tsushima and LDP Upper House Chairman Mikio Aoki." He later met with Tsushima and Aoki. Tsushima indicated that he would wait for Nukaga's decision, telling reporters, "He will give me his conclusion as early as possible after he considers it carefully." Nukaga is likely to give up on running in consideration of the unity of the faction.

The reason the Tsushima faction has decided not to field Nukaga is that many of its Lower House members back Abe and are concerned that if Nukaga suffers a crushing defeat, the faction would lose its influence in the party. The faction intends to allow its members to make their own decisions on how to vote. Many will likely vote for

Abe.

Abe to announce candidacy tomorrow

Chief Cabinet Secretary Shinzo Abe decided yesterday that he would announce his candidacy for the LDP presidency on Aug. 12 when he returns to his home constituency of Yamaguchi Prefecture, according to several sources.

Following his announcement, a group of Diet members supporting Abe, mainly from the Mori faction, will start forming an election setup soon after the mid-August O-Bon holiday break.

Abe will attend a party hosted by his support group in the city of Shimonoseki starting on 11:00 a.m. on Aug. 12. He will announce his candidacy for the LDP presidency before about 3,000 senior LDP prefectural chapter members and supporters. Visiting Nagato City on Aug. 13, he will express his determination to run in the race before the grave of his father, former Foreign Minister Shintaro Abe.

10) Abe has majority support in LDP presidential race; Taku Yamasaki to give up on running

YOMIURI (Page 1) (Full)
August 11, 2006

The Ibuki faction of the Liberal Democratic Party (LDP) held an executive meeting last night. The meeting agreed that the faction would support Chief Cabinet Secretary Shinzo Abe, 51, in the Sept. 20 LDP presidential election. Former LDP Vice President Taku Yamasaki, 69, decided the same day to give up on running in the race. Defense Agency Director-General Fukushima Nukaga, 62, is expected to announce soon his intention not to run. The election is expected to be a three-way race involving Abe, Foreign Minister Taro Aso, 65, and Finance Minister Sadakazu Tanigaki, 61. A majority of the 403 Diet members will likely support Abe in the presidential race.

If no candidate secures a majority of the 703 votes, including the 300 party member votes, the top two candidates will hold a runoff to be decided by the party's Diet members. Even in a runoff, Abe would be sure to dominate his opponent.

Abe told reporters yesterday morning, "I can go along with (policy proposals made by the Ibuki faction)." Following this, Bunmei Ibuki, a former labor minister who heads the faction, announced yesterday afternoon that his faction would back Abe. During his meeting last evening with LDP acting policy chief Akira Amari in Tokyo, Yamasaki said he would seriously consider the sentiments of his 36-member faction, many of whom back Abe.

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Yuji Tsushima, a former health and welfare minister who heads a 75-member faction, and Mikio Aoki, chairman of the LDP caucus in the House of Councillors, met last night with Nukaga and told him that it would be difficult for the faction to support him. After the meeting, Nukaga told reporters, "I will come to my own conclusion as soon as possible." If he decides not to run in the race, the faction will let its members cast their votes independently.

Almost all the 86-member Mori faction, the 32-member Ibuki faction, and the 15-member Nikai faction will back Abe. About 35 of the 48 members of the Niwa-Koga faction and 35 of the 70 lawmakers belonging to no faction, now support Abe. About half of the 15-member Komura faction backs Abe at present.

11) Abe far ahead of other candidates in "destroyed" LDP presidential race; LDP members rallying around "winning horse" for fear of being labeled "forces of resistance"

TOKYO SHIMBUN (Page 1) (Abridged slightly)
August 11, 2006

Support for Chief Cabinet Secretary Shinzo Abe, a shoo-in for the September Liberal Democratic Party presidential election, is

increasing by the day, visibly outdistancing other candidates.

The 85 members of the Mori faction, to which Abe belongs, are almost certain to vote for him. Large portions of the Ibuki, Komura, and Nikai factions, which have announced their support, and a majority of the Niwa-Koga faction support Abe. The membership of these five factions comes to 195. Some may rally around other candidates. But more members from the Tsushima and Yamasaki factions plus unaffiliated members are expected to back Abe. A simple calculation shows that well over a majority of 202 of the 403 LDP lawmakers are expected to vote for Abe.

The LDP lawmakers and local rank-and-file members who hold 300 votes in total will determine the new LDP president. Even if another candidate were to best Abe in terms of local votes, a runoff would be held between the top two contestants by the LDP Diet members. For this reason, Abe's lead is unshakable.

In the past, many LDP members have sought the party presidency out of an Olympics-like spirit of participation without any expectation of winning.

The ultimate goal of any faction was to make its leader the prime minister. There was a tendency for LDP lawmakers not to win recognition from other members until they ran in a presidential race. Prime Minister Koizumi, too, secured the LDP presidency on his third try.

But the situation has changed over the five-and-a-half years of the Koizumi administration.

Today, factions that lose in a presidential race are labeled "forces of resistance." Koizumi has been hostile toward them. Last year, some postal rebels were forced out of Nagatacho after their defeat in the Lower House election.

Vivid memories of last year's developments are pushing LDP members to flock to Abe. Koizumi declared that he would destroy the LDP.

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True to his words, the environment surrounding the presidential race has markedly changed.

12) Yasukuni Shrine confirms three conditions -- maintenance of name, facilities, and rituals -- for turning itself into nonreligious corporation

MAINICHI (Page 1) (Abridged slightly)
August 11, 2006

Amid growing calls in the LDP for making Yasukuni Shrine a nonreligious entity to resolve the question of Class-A war criminals, Yasukuni Shrine has come up with its basic policy on transforming itself into a nonreligious corporation, sources said yesterday. The policy does not reject the option of abandoning religious status and becoming a special corporation with state intervention. But following the shrine's 1963 view, the policy sets three conditions: (1) continued use of the name Yasukuni Shrine; (2) maintaining facilities; and (3) protection of rituals and events. The conditions would pose a high hurdle for turning the shrine into a nonreligious corporation.

Chief priest Toshiaki Nambu and other Yasukuni Shrine executives confirmed the policy this May. Foreign Minister Taro Aso announced on Aug. 5 his private plan to transform the shrine into a nonreligious entity, but the shrine has kept its silence. In truth, however, the shrine made a move ahead of the government and the Liberal Democratic Party. Former LDP Secretary General Makoto Koga, who chairs the Japan War-Bereaved Association, proposed in May studying the option of unenshrining Class-A war criminals from Yasukuni.

Following the appearance of a state maintenance plan in the bereaved association and the LDP since the 1950s, Yasukuni Shrine produced in 1963 a set of state protection guidelines calling for the maintenance of the name Yasukuni Shrine and facilities and major

rituals and events.

But the new policy calls for the maintenance of: (1) the name Yasukuni Shrine; (2) facilities, such as the Torii gate and shrine pavilions; and (3) rituals and events, such as collective enshrinement of Shinto deities (eirei) at Yasukuni and paying tribute to the war dead. But the strict observance of the three highly religious conditions might constitute a violation of Article 20 of the Constitution stipulating separation of religion and state.

13) Japan, South Korea to hold talks on prior-notification system on maritime research

YOMIURI (Page 2) (Full)
August 11, 2006

The governments of Japan and South Korea decided yesterday to hold talks of bureau-director-level foreign ministry officials on the introduction of a system of prior notification on maritime research in waters where the two countries' respective EEZs have not yet been demarcated, such as near the Takeshima /Dokdo islets. Their first meeting will be held in Tokyo today. Participating in the meeting will be International Legal Affairs Bureau Director-General Ichiro Komatsu and others from Japan and Treaty Bureau Director General Pak Huikwon and others from South Korea.

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Over maritime research in waters near Takeshima/Dokdo, Japan planned to study seafloor topography in April, and South Korea mobilized patrol boats in reaction. Japan called off the survey, but South Korea carried out a survey of ocean currents in July. This time, Japan was considering a plan to conduct a radioactivity survey

Seoul was initially opposed to the introduction of a prior-notification system, saying: "Since waters near Takeshima/Dokdo are within our EEZ, the system is not necessary." In actuality, though, if Tokyo undertakes the planned survey, Seoul will find it difficult to chase off Japanese ships in view of international law. Probably keeping such a circumstances in mind, South Korea has become positive about the prior-notification system.

A senior Foreign Ministry official said yesterday: "South Korea supposedly has judged it better not to cause unnecessary confusion." If South Korea takes part in the talks, Japan plans to put off the radioactivity survey to October or later.

Should Prime Minister Koizumi visit Yasukuni Shrine on Aug. 15, however, the talks might be negatively affected due to the expected fierce reaction by the South Korean government and people.

14) Prion panel: Cattle born in Mexico do not meet import condition

SANKEI (Page 3) (Full)
April 11, 2006

In a meeting of the prion panel under the Food Safety Commission yesterday, one member pointed out that beef from cattle born in Mexico could not meet the condition Japan set to limit imports to only beef from cattle 20 months of age or younger.

A satisfactory birth-recording system has not been introduced in Mexico, so the age of cattle is determined based on meat maturity. Panel Chairman Yasuhiro Yoshikawa said:

"We discussed if the United States' methodologies to verify the age of cattle was scientifically appropriate, premised on cattle born in the US. When it come to cattle born in other countries, however, we cannot say that the same is true."

15) Overseas Economic Cooperation Council to promote assistance for energy conservation by China and India, using ODA

Nihon KEIZAI (Page 2) (Full)

August 11, 2006

The government yesterday held a meeting of the Overseas Economic Cooperation Council (chaired by Prime Minister Junichiro Koizumi) and reaffirmed a policy of strengthening ties with natural-resource-producing nations through official development assistance (ODA). Participants in the meeting also shared the perception that Japan should promote cooperation with China and India in the energy-conservation area. Energy consumption by those countries is rapidly increasing. It is likely that Japan will increasingly use ODA for resource energy diplomacy.

They also agreed to distribute ODA on a priority basis to secure interests in such energy resources as oil. As part of such efforts,

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the government will continue to use international financing services by the Japan Bank for International Cooperation and the trade insurance system. In Asia, the government will also go ahead with technical cooperation in the nuclear area, while giving consideration to nuclear nonproliferation efforts.

ODA will also be allocated for the promotion of trade investment, such as an early signing of trade agreements under the multilateral trade negotiations of the World Trade Organization, which have recently collapsed, and the signing of economic partnership agreements.

The council first met in May. Yesterday's meeting was the third, bringing together Chief Cabinet Secretary Shinzo Abe; Foreign Minister Taro Aso; Finance Minister Tanigaki; Economy, Trade and Industry Minister Toshihiro Nikai; and Agriculture, Forestry and Fisheries Minister Shoichi Nakagawa.

SCHIEFFER